

DE-AC08-98NV13149

ATTACHMENT M

Executive Overview from the Segal Company Annual Actuarial Validation and Review
of the
Independent Guard Association of Nevada – Wackenhut Services, Incorporated
Pension Trust Fund
Dated January 1, 2003

SECTION 1: Executive Overview for the Independent Guard Assoc. of Nevada – Wackenhut Services, Inc. Pension Trust Fund

Key Events and Issues

The following key issues were the result of this actuarial valuation:

- There was an overall actuarial experience loss of \$2,049,243, primarily due to investment results. The rate of return for the year ended December 31, 2002 was -4.7% on actuarial value, and -7.9% on market value. The rates of return for the prior year ended December 31, 2001 were -1.7% and -2.8%, respectively. We will be reviewing the investment return assumption as experience continues to develop and make a change in the future, if appropriate.
- On December 31, 2002, the Funding Standard Account credit balance was \$590,232, an increase of \$530,583 over the credit balance of \$59,649 a year earlier.
- The minimum contribution required to avoid a deficiency in the Funding Standard Account is \$1,392,309. This amount reflects the \$331,203 additional contribution charge calculated in Section 4, Exhibit VI. Minimum contributions are required each quarter, as shown on page 2-3. Expected contributions based on the January 1, 2003 negotiated contribution rate for 2003 (\$110 per week) are \$605,000.

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- The Retirement Protection Act requires a Participant Notice informing participants of the "Notice Funding Percentage" when that percentage is less than 90% (or 80% if the percentage was at least 90% in two consecutive years in the prior three years). The Notice Funding Percentage as of January 1, 2003 is 71.60%, so the Notice is required for 2003. We will provide the administrator with a draft notice as in previous years.
- The interest rate for determining the Notice Funding Percentage and the Gateway Current Liability for the additional funding charge is 6.65%, reflecting the temporary higher rate provided in the Job Creation and Worker Assistance Act of 2002 (JCWAA). The JCWAA temporary relief applies for the 2003 plan year, but is scheduled to expire for the 2004 plan year. If no legislative action is taken to extend this relief, the minimum funding requirement for 2004 will be significantly higher than it otherwise would be. Should the Board wish to quantify the cost impact more accurately, we are available to perform the necessary calculations.
- The total PBGC premium for the 2003 plan year is estimated to be \$58,000. The 4.92% rate used to calculate the unfunded vested benefits for the variable rate portion of the premium also reflects an increase due to JCWAA.
- As discussed at the May Board meeting, this valuation reflects the Trustees' adoption of the 5-year asset smoothing method retroactive to January 1, 2002. This change was made pursuant to "automatic approval" granted by the IRS.
- The plan's funding requirements are currently being driven by IRS minimum funding rules. On a Scheduled Cost basis, the plan's ultimate \$119 weekly contribution rate leaves a margin of \$24.82 per week when compared to the Scheduled Cost of \$94.18 per week. However, once all unrecognized investment losses through December 31, 2002 become recognized by the plan's asset smoothing method, this weekly margin is expected to become a weekly deficit of about \$20.00 (disregarding the effect of contributions made in excess of the Scheduled Cost in order to comply with minimum funding).